

# ATRAM Alpha Opportunity Fund, Inc.

March 31, 2016



www.atram.com.ph

## Investment Objective

The Fund's investment objective is growth through capital appreciation. The Fund seeks to deliver returns over the long term by investing primarily in equity securities, with a focus on companies with strong growth potentials which are not included in the Philippine Stock Exchange Composite Index (PSEi). The Fund may also invest a portion of its assets in other securities such as fixed income, bonds and currencies depending on prevailing market conditions. It is suitable for investors who have a medium to long-term investment horizon and who are willing to accept risk. The Fund is classified as a high risk investment.

## Fund Facts

Fund Manager	<b>ATR AM</b>
Bloomberg Ticker	<b>ALPHAOP PM</b>
Inception Date*	<b>17 September 2012</b>
Currency	<b>PHP</b>
Fund Size	<b>165.50 Million</b>
NAVPS	<b>1.2019</b>

\*Date of conversion from money market fund

## Performance Overview



Figures as of 03.31.2016

Cumulative Performance %						
	1 Mo	1 Yr	3 Yrs	5 Yrs	YTD	Since Incept.
<b>Fund</b>	10.34	-21.14	-13.40	n.a.	2.58	6.31
NAVPS						
	31-Dec-15	29-Jan-16	29-Feb-16	31-Mar-16		
<b>Fund</b>	1.1717	1.0329	1.0893	1.2019		

## Manager's Report

The Philippine Stock Exchange Index (PSEi) jumped 8.86% in March mainly influenced by the re-entry of foreign funds in the Philippine equity market. The appetite for emerging markets assets continued to improve because of the dovish US Federal Open Market Committee (FOMC) statement which was reinforced by the cautious comments of the FOMC chairman Janet Yellen. This was interpreted by market players that the US rate-hike trajectory will be less than what was originally anticipated (from four to two hikes this year). As a result, global equity markets sustained the rally that began from its January 21 lows.

The 11 straight months of foreign fund outflows finally reversed in March. Foreigners bought up shares worth \$204mn that brought the year-to-date flows back into positive territory (\$76mn). Correspondingly, the average trading volume picked too \$160mn. At the end of March, the PSEi was estimated to be trading at 18x 2016 PE assuming 2017 consensus earnings growth of 12%. The performance in March brought the index return for the year to 4.47%

The Alpha Opportunity Fund gained 10.34% and underperformed the MSCI Small Cap Index by 2.86% in March. The position in Robinsons Retail (RRHI) boosted returns as company management guided double digit same store sales growth (SSSG) in the first two months of 2016. RRHI attributed this increase to election spending. In addition, our Xurpas exposure provided another lift as net profits grew 20% in 2015. However, our underweight positions on Double Dragon (DD) and Security Bank (SECB) dragged the fund performance, given their significant weights in the MSCI index.

Taking advantage of the strong market performance, we have taken profit on select stocks (i.e. DD, FPH), that have outperformed this year. At the same time, however, we have decreased our cash level from 10% to 7%. We believe small cap names will benefit from the recent rally as we feel that many issues have, in particular the large blue chip companies, reached fair value. We therefore expect investors to look for cheaper alternatives in this kind of environment. We anticipate that developments in the national elections, the release of 1st quarter 2016 results, and volatility in the global financial markets to be the main market drivers in this coming quarter.

## Portfolio Analysis

### Composition of the Fund



- Equities (93%)
- Cash/Money Market (7%)

### Sector Exposure

Financials	19%	Media	8%
Power/Utilities	16%	Holdings Firms	7%
Consumer	15%	Construction	6%
Property	9%	Others	13%

### Top Ten Holdings

Security Bank Corporation	13.9%
D&L Industries, Inc.	6.8%
Robinsons Retail Holdings, Inc.	6.7%
Cosco Capital, Inc.	6.6%
First Gen Holdings Corp.	6.1%
ABS-CBN Holdings Corporation. - PDR	5.7%
Cebu Air, Inc.	5.4%
Manila Water Company, Inc.	5.3%
Xurpas, Inc.	3.9%
Megawide Construction Corp.	3.7%

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Monthly Performance %														
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Year	Cumulative
2012	-	-	-	-	-	-	-	-	-0.87	0.75	1.74	5.02	6.71	6.71
2013	7.89	6.58	0.04	6.92	-4.23	-7.27	4.97	-8.85	-0.89	2.57	-3.72	-0.91	1.36	8.16
2014	-0.04	5.69	-1.56	9.86	-1.52	3.68	1.36	-2.30	5.22	2.20	-0.30	9.84	36.02	47.13
2015	0.09	-3.28	-5.36	-0.24	-5.08	-4.19	4.85	-11.61	-6.08	6.63	-6.06	-2.80	-29.56	3.64
2016	-11.85	5.46	10.34										2.58	6.31

Performance	Risk-adjusted Returns & Statistics				Portfolio Analytics*		
	2016 YTD	Since launch		1 yr	Since launch		
Fund	2.58%	6.31%	Risk-adjusted return	(0.87)	0.19	Percentage of positive months	48.84%
Benchmark	7.08%	28.33%	Information ratio	(1.00)	(0.43)	Average gain in positive months	4.84%
Over/under performance	-4.50%	-22.03%	Standard deviation	23.85%	19.07%	Sharpe ratio	(0.01)
						Correlation with reference BM	0.80
						Beta (relative to reference BM)	0.87
						Jensen's Alpha (relative to reference BM)	-4.43%

Note: Risk-adjusted returns and statistics are all annualized

\*Since launch

Asset Class	Equities (Multi-asset)	NAVPS publication	Trade date + 1
Domicile	Philippines	Investment Manager	ATR AM
Risk & Investor Profile	High Risk	Transfer Agent	ATR AM
Reference Benchmark*	MSCI Phil. Small Cap Index	Custodian	Citibank N.A. Manila
Management & distribution fee	2.00% p.a.	Fund Accountant	Deutsche Bank AG, Manila Branch
Type of shares	Common	Auditor	SGV & Co.
Dealing frequency	Daily	Website	www.atram.com.ph

\*ATRAM has changed its benchmark from Philippine Stock Exchange Index to MSCI Phil. Small Cap Index as of August 1, 2015.

## Definitions:

**Beta** of a fund measures its relationship with the benchmark. A beta of exactly 1 means that the fund's returns generally mirror the pattern of its benchmark's returns. A beta of greater than 1 means the fund will move in the same direction as the benchmark but by a greater amount. A beta of between zero and 1.0 implies that the fund's NAVPs should generally move in the same direction as the benchmark, although in lesser magnitude. A beta of exactly zero implies that the fund's pattern of returns is completely unrelated to the movement of the benchmark's returns. A negative beta indicates that the choice of benchmark may be inappropriate, and that a different benchmark should be selected.

**Correlation** measures how closely the movements of two variables are synchronized with each other. The maximum attainable correlation of 1.0 means that a pair of variables moves in perfect lockstep, in the same direction and magnitude; at the other extreme, the minimum possible correlation of -1.0 denotes that a pair of variables moves as perfect mirror images; meanwhile a correlation of exactly zero implies that the variables behave completely independently of each other. In the analysis of investments, correlation compares the direction and magnitude of a fund's returns with the direction and magnitude of a reference benchmark's returns.

**Information Ratio** measures how much excess return over a reference benchmark's returns an investment has yielded relative to the variability of said excess returns over benchmark returns. Information ratio is computed as the ratio of the mean of the fund's excess returns over benchmark returns (i.e., the relative return) to the fund's tracking error (i.e., the relative risk).

**Jensen's alpha** is a measure of a fund's excess return over its expected return as computed using CAPM (Capital Asset Pricing Model). The expected return considers the benchmark return, the fund's beta and the risk-free rate of return. A value of 1% indicates that the fund beat its expected return by 1%.

**Risk-adjusted Return** measures how much absolute return an investment has yielded relative to the amount of absolute risk taken. Risk-adjusted return is calculated by dividing the mean (average) of a fund's return by the standard deviation of the fund's returns.

**Sharpe Ratio** is a measure of risk-adjusted performance and is defined as the ratio of excess return over the volatility of an investment. Excess return refers to the return of the investment over the risk-free rate of return. A higher ratio means better risk-adjusted performance.

**Standard Deviation** is a measure of how widely dispersed the fund's returns are away from the mean of the fund's returns. A basic and widely-used statistical concept, standard deviation is often employed as a measure of absolute risk in the analysis of investments.

**Tracking Error** is a measure of how widely dispersed the fund's excess returns over the reference benchmark's returns were with respect to the mean of the fund's excess returns over benchmark returns. Tracking error is computed as the standard deviation of the fund's excess returns over benchmark returns. Tracking error is a measure of relative risk.

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